

Chicago Mercantile Exchange Inc. – Exhibit L (revised February 10, 2016)

Attach as Exhibit L, a narrative and any other form of documentation that may be provided under other Exhibits herein, that describes the manner in which the Applicant is able to comply with each core principle. Such documentation must include a regulatory compliance chart setting forth each core principle and providing citations to the Applicant’s relevant rules, policies, and procedures that address each core principle. To the extent that the application raises issues that are novel or for which compliance with a core principle is not self-evident, include an explanation of how that item and the application satisfy the core principles.

COMPLIANCE WITH CORE PRINCIPLES

Swap Execution Facility Criteria For Registration	CME SEF (“CME SEF”) Application	Relevant CME SEF Documents, Rule or Agreements
<p>Sec. 5h Applications – “No person may operate a facility for the trading or processing of swaps unless the facility is registered as a swap execution facility or as a designated contract market under this section.”</p>	<p>CME SEF is submitting a FORM SEF and exhibits thereto (each an “Exhibit” and collectively, the “Exhibits”) in accordance with Commodity Exchange Act § 5h and Appendix A to 17 C.F.R. Part 37, as its application for registration as a swap execution facility (the “Application”).</p>	<p>All materials submitted with the Application</p>
<p>Sec. 5h(f) CORE PRINCIPLES FOR SWAP EXECUTION FACILITIES</p>		
<p>Core Principle 1</p> <p><i>Compliance with Core Principles–</i></p> <p>(a) <i>In general.</i> “To be registered, and maintain registration, as a swap execution facility, the swap execution facility shall comply with—</p> <p>(1) All core principles described in</p>	<p>See generally the Application and this Exhibit L.</p>	<p>All materials submitted with the Application</p>

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<p>Section 5h of the Act; and</p> <p>(2) Any requirement that the Commission may impose by rule or regulation pursuant to Section 8a(5) of the Act.</p>		
<p>(b) <i>Reasonable discretion of a swap execution facility.</i> Unless otherwise determined by the Commission by rule or regulation, a swap execution facility described in paragraph (a) of this section shall have reasonable discretion in establishing the manner in which the swap execution facility complies with the core principles described in section 5h of the Act.</p>	<p>See generally the Application.</p>	<p>Exhibit M–CME SEF Rulebook</p>
<p>Core Principle 2</p> <p><i>Compliance with Rules –</i></p> <p>A swap execution facility shall:</p> <p>(a) Establish and enforce compliance with any rule of the swap execution facility, including the terms and conditions of the swaps traded or processed on or through the swap execution facility and any limitation on access to the swap execution facility;</p>	<p>The CME Inc. Board of Directors (“Board”) adopted Rules, and from time to time adopts amendments and supplements to such Rules, to promote a free and open market on CME SEF, to maintain appropriate business conduct and to provide protection to the public in its dealings with CME SEF and its Participants. <i>See</i> Chapter 4 (Enforcement of Rules), Rule 400 (General Provisions). CME SEF shall publish a notice with respect to each addition to, modification of, or clarification of, the SEF Rules or any action to implement any SEF Rules, at the very least on CME SEF’s website. <i>See</i> Rule 109 (Notices to Participants).</p> <p>Any person initiating or executing a transaction on or subject to the Rules of CME SEF directly or through an intermediary, and any person for whose benefits such transaction has been initiated or executed, expressly consents to be bound by and comply with the Rules of CME SEF in relation to such transactions, including, but not limited to, rules requiring cooperation and participation in investigatory and disciplinary</p>	<p>Rule 109 (Notices to Participants)</p> <p>Rule 112 (Withdrawal of a Participant)</p> <p>Rule 114 (Disclosures and Supervision)</p> <p>Chapter 4 (Enforcement of Rules)</p> <p>Rule 400 (General Provisions)</p> <p>Rule 418 (Consent to CME SEF Jurisdiction)</p>

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	<p>processes. <i>See</i> Rule 418 (Consent to CME SEF Jurisdiction). Participants who withdraw from CME SEF shall remain bound by the SEF Rules, the Clearing House Rules and Applicable Law, in each case to the extent applicable to it, and subject to the jurisdiction of CME SEF and the Clearing House with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Participant prior to withdrawal. <i>See</i> Rule 112 (Withdrawal of a Participant).</p> <p>The Board created committees to which it has delegated responsibility for the investigation and imposition of penalties for violations of CME SEF Rules. <i>See</i> Chapter 4 (Enforcement of Rules), Rule 400 (General Provisions). In addition, the Board also delegated responsibility, as set forth in the Rules, for the investigation and imposition of penalties for violations of CME SEF Rules, to the Market Regulation Department. <i>See</i> Chapter 4 (Enforcement of Rules), Rule 400 (General Provisions). Each Participant shall be responsible for establishing, maintaining, and administering reasonable supervisory procedures to ensure that its Authorized Traders, Supervised Persons, and Authorized Brokers comply with Applicable Law, the SEF Rules and Clearing House Rules. <i>See</i> Rule 114 (Disclosures and Supervision).</p> <p>No Participant shall provide or allow to be provided direct access to CME SEF to any Customer or non-Participant. All Orders, quotes and Trades must be entered into CME SEF by Authorized Traders using assigned Trader IDs. <i>See</i> Rule 515 (Direct Access by Customers Non-Participants Prohibited). All trading in CME SEF products must occur on or through CME SEF facilities and in accordance with CME SEF Rules. <i>See</i> Rule 520 (Trading Confined to CME SEF Facilities). CME SEF may provide various execution methods for Permitted Transactions. <i>See</i> Rule 521 (Required Transactions), Rule 523 (Permitted Transactions).</p>	<p>Rule 515 (Direct Access by Customers, Non-Participants Prohibited)</p> <p>Rule 520 (Trading Confined to CME SEF Facilities)</p> <p>Rule 521 (Required Transactions)</p> <p>Rule 523 (Permitted Transactions)</p>

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	<p>The terms and conditions of Swaps will be included as product chapters in the SEF Rulebook, which will be publicly posted.</p>	
<p>(b) Establish and enforce trading, trade processing, and participation rules that will deter abuses and have the capacity to detect, investigate, and enforce those rules, including means to provide market participants with impartial access to the market and to capture information that may be used in establishing whether rule violations have occurred;</p>	<p>The Board adopted Rules to promote a free and open market on CME SEF, to maintain appropriate business conduct and to provide protection to the public in its dealings with CME SEF and its Participants. <i>See</i> Chapter 4 (Enforcement of Rules), Rule 400 (General Provisions). In furtherance of these objectives, Rule 432 (General Offenses) lists examples of prohibited conduct, including, but not limited to: (D) to create or report a false or fictitious trade; (H) to engage in, or attempt to engage in, the manipulation of prices of CME SEF products or to purchase or sell, or offer to purchase or sell CME SEF products or any underlying commodities or securities, for the purpose of upsetting the equilibrium of the market or creating a condition in which prices do not or will not reflect fair market values; (N) to comply with all disclosure requirements set forth in applicable SEF Rules, CFTC, SEC, and NFA Rules and Regulations; (O) for a Participant to permit the use of facilities or privileges in a manner that is detrimental to the interest or welfare of CME SEF or results in a violation of CME SEF Rules or the CEA; and (P) for a Participant to fail to maintain minimum financial requirements.</p> <p>CME SEF will provide its services on a fair, open, equal and non-discriminatory basis to all market participants that meet its transparent eligibility criteria for access to CME SEF. <i>See generally</i> Chapter 1 (Access); <i>see also</i> Rule 101 (Eligibility and Participant Qualification); Rule 102 (Continued Eligibility); Rule 103 (Authorized Brokers or Authorized Managers); Rule 104 (Authorized Traders); Rule 105 (Participant Application Process); Rule 107 (Customers). Dues, assessments and fees are generally applicable. <i>See</i> Rule 108 (Dues,</p>	<p>Rule 101 (Eligibility and Participant Qualification)</p> <p>Rule 102 (Continued Eligibility)</p> <p>Rule 103 (Authorized Brokers or Authorized Managers)</p> <p>Rule 104 (Authorized Traders)</p> <p>Rule 105 (Participant Application Process)</p> <p>Rule 107 (Customers)</p> <p>Rule 108 (Dues, Assessments and Fees)</p> <p>Rule 112 (Withdrawal of Participant)</p> <p>Rule 114 (Disclosures and Supervision)</p> <p>Chapter 4 (Enforcement of</p>

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	<p>Assessments and Fees); <i>see also</i> Exhibit K.</p> <p>In addition, Chapter 5 (Qualifications for Execution and Trading Practices) explicitly prohibits several trading and trade processing abuses, including, but not limited to Withholding Orders (Rule 529), Subordinating Priority of Customers’ Orders (Rule 530), Trading Against Customers’ Orders (Rule 531), Disclosing Orders (Rule 532), Simultaneous Buy and Sell Orders for Different Beneficial Owners (Rule 533), Wash Trades (Rule 534), and Pre-arranged, Pre-Negotiated, and Non-competitive trades, in general. (Rule 539).</p> <p>Each Participant shall be responsible for establishing, maintaining, and administering reasonable supervisory procedures to ensure that its Authorized Traders, Supervised Persons, and Authorized Brokers comply with Applicable Law, the SEF Rules and Clearing House Rules. <i>See</i> Rule 114 (Disclosures and Supervision). Any person initiating or executing a transaction on or subject to the Rules of CME SEF directly or through an intermediary, and any person for whose benefits such transaction has been initiated or executed, expressly consents to be bound by and comply with the Rules of CME SEF in relation to such transactions, including, but not limited to, rules requiring cooperation and participation in investigatory and disciplinary processes. <i>See</i> Rule 418 (Consent to CME SEF Jurisdiction). Participants who withdraw from CME SEF shall remain bound by the SEF Rules, the Clearing House Rules and Applicable Law, in each case to the extent applicable to it, and subject to the jurisdiction of CME SEF and the Clearing House with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Participant prior to withdrawal. <i>See</i> Rule 112 (Withdrawal of a Participant).</p> <p>In addition, the Board created committees to which it has delegated responsibility for the investigation and imposition of penalties for violations of CME SEF Rules. <i>See</i> Chapter 3 (CME SEF Committees);</p>	<p>Rules)</p> <p>Rule 400 (General Provisions)</p> <p>Rule 406 (Probable Cause Committee)</p> <p>Rule 407 (Investigation, Assignment for the Hearing and Notice of Charges)</p> <p>Rule 408 (Conduct of Hearings)</p> <p>Rule 409 (Letters of Warning)</p> <p>Rule 411 (Appeal to a Hearing Panel of the Board of Directors)</p> <p>Rule 413 (Summary Access Denial Actions)</p> <p>Rule 414 (Investigations by Other Self-Regulatory Organizations)</p> <p>Rule 432 (General Offenses)</p> <p>Chapter 5 (Trading Practices)</p> <p>Rule 529 (Withholding Orders</p>

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	<p>Chapter 4 (Enforcement of Rules), Rule 400 (General Provisions). The Board also delegated responsibility, as set forth in the Rules, for the investigation and imposition of penalties for violations of CME SEF Rules to the Market Regulation Department. <i>See</i> Chapter 4 (Enforcement of Rules), Rule 400 (General Provisions), Rule 407 (Investigation, Assignment for Hearing and Notice of Charges).</p> <p>Upon conclusion of an investigation, the Market Regulation Department may issue a warning letter to any party as a result of the investigation. Such letter shall not constitute either the finding of a Rule violation or a penalty. <i>See</i> Rule 407 (Investigation, Assignment for Hearing and Notice of Charges), Rule 409 (Letters of Warning). When the Market Regulation Department has reasonable cause to believe an offense has occurred, it shall produce an investigation report to the Probable Cause Committee (“PCC”). <i>See</i> Rule 406 (Probable Cause Committee), Rule 407 (Investigation, Assignment for Hearing and Notice of Charges). The PCC shall try to review the Market Regulation investigation report deemed complete within thirty (30) days of receipt. <i>See</i> Rule 406 (Probable Cause Committee). Following its review, the PCC shall take one of the following actions: A) issue charges where it determines that a reasonable basis exists for finding that a violation of a CME SEF Rule may have occurred which warrants disciplinary action; B) direct a warning letter to be issued where it determines that a reasonable basis exists for finding that a violation of a CME SEF Rule may have occurred, but that the issuance of charges is unwarranted; C) direct that no further action be taken where it determines that no reasonable basis exists for finding that a violation of CME SEF Rules may have occurred; or D) direct the Market Regulation Department to investigate the matter further. <i>See</i> Rule 406 (Probable Cause Committee). The Market Regulation Department may request an appeal to a hearing panel of the Board (“Appellate Panel”) regarding any refusal by the PCC to issue those charges requested by the Market Regulation Department. <i>See</i> Rule</p>	<p>Prohibited)</p> <p>Rule 530 (Priority of Customers’ Orders)</p> <p>Rule 531 (Trading Against Customers’ Orders Prohibited)</p> <p>Rule 532 (Disclosing Orders Prohibited)</p> <p>Rule 533 (Simultaneous Buy and Sell Orders for Different Beneficial Owners)</p> <p>Rule 534 (Wash Trades Prohibited)</p> <p>Rule 539 (Pre-arranged, Pre-negotiated and Non-competitive Trades Prohibited)</p> <p>Exhibit N-CME SEF User Agreement</p>

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	<p>411 (Appeal to a Hearing Panel of the Board of Directors).</p> <p>Where the PCC has issued charges for an alleged Rule violation, the Market Regulation Department shall issue a charging memorandum to the respondent with a brief statement of factual allegations that identifies the charged Rule violation(s). <i>See</i> Rule 407.B. (Notice of Charges; Opportunity for Hearing). The notice of charges shall advise the respondent that the matter will be heard by a Business Conduct Committee (“BCC”) Panel and of the time and place of the hearing. <i>See</i> Rule 407.C. (Notice of Charges; Opportunity for Hearing). The Respondent shall have 21 days after notice to submit a written answer to the charges. <i>See</i> Rule 407.C. (Answer to Charges).</p> <p>A respondent that is the subject of an investigation or who is charged with a Rule violation(s) may submit for consideration by the Panel a written offer of settlement in disposition of such investigation or charges. <i>See</i> Rule 408.C. (Offers of Settlement). In submitting an offer of settlement, the respondent waives his right to a contested hearing and to appeal the Panel’s decision if the offer is accepted; the respondent also waives any claim of bias or prejudice on the part of the Panel. <i>See</i> Rule 408.C. (Offers of Settlement).</p> <p>If the offer of settlement is accepted, the BCC’s decision shall be final on the date it is signed by the Hearing Panel Chair. <i>See</i> Rule 408.C. (Offers of Settlement). If not, then, promptly following a hearing, the respondent shall be issued a written decision of the Panel’s findings, which shall include: the notice of charges (or a summary thereof); the answer to the charges, if any (or a summary thereof); a brief summary of the evidence produced at the hearing; a statement of findings and reasoned conclusions with respect to each charge, including the specific Rules which the respondent is found to have violated; a declaration of any penalty imposed and the effective date of such penalty; and the availability, if any, of an appeal of the decision within the CME Group or</p>	

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	<p>to the Commodity Futures Trading Commission. <i>See</i> Rule 408.E. (Decisions). In general, a Participant found guilty of an offense or otherwise aggrieved by a final decision of the BCC, may request an appeal to an Appellate Panel provided that the decision assesses a monetary sanction greater than \$10,000 and/or an access denial or suspension of any Participant privileges for greater than five business days against the Participant. <i>See</i> Rule 411 (Appeal to a Hearing Panel of the Board of Directors).</p> <p>The Chief Regulatory Officer or his delegate, upon a good faith determination that there are substantial reasons to believe that such immediate action is necessary to protect the best interests of CME SEF, may order that: 1) any party be denied access to any or all CME Group markets, including CME SEF; 2) any party be denied access to the Globex platform; 3) any party be denied access to any other electronic trading or clearing platform owned or controlled by CME Group; or (4) any Participant be immediately removed from any trading floor owned or controlled by CME Group. <i>See</i> Rule 413.A. (Authority to Deny Access).</p> <p>If a self-regulatory organization that is a party to an information sharing agreement with CME SEF requests assistance in connection with an investigation, the Chief Regulatory Officer may direct a party subject to the jurisdiction of CME SEF pursuant to Rule 418 to submit to an examination by the requesting self-regulatory organization and to produce information pertinent to that investigation. <i>See</i> Rule 414 (Investigations by Other Self-Regulatory Organizations)</p>	
(c) Establish rules governing the operation of the facility, including rules specifying trading procedures to be used in entering and executing orders traded or posted on the facility, including block trades; and	Chapter 1 of the CME SEF rulebook establishes access criteria. Chapter 2 of the CME SEF rulebook establishes the powers and duties of the Board of Directors, including the establishment of emergency powers and the ability to establish facility rules for access. Chapter 4 (Enforcement of Rules) provides CME SEF with the authority to adopt rules, investigate business conduct, trading practices, sales practices, trading ethics or other	<p>Exhibit M–SEF Rules</p> <p>Exhibit N–Regulatory Services Agreement</p> <p>Exhibit N-CME SEF User</p>

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	<p>actions that threaten the integrity of CME SEF. CME SEF has the authority to conduct inquiries, investigations and impose sanctions on persons subject to CME SEF jurisdiction.</p> <p>Chapter 5 of the CME SEF rulebook outlines the trading qualifications and regulations (Rules 512–516), trading practice rules (Rules 520–562), including block trades (Rule 526), and Globex and CME Direct electronic trading system rules (Rules 574–580).</p> <p>Chapter 6 of the CME SEF rulebook provides for arbitration of disputes between persons subject to the jurisdiction of CME SEF. Chapter 7 establishes a force majeure provision for the operation of CME SEF. Chapter 8 establishes certain rules and procedures related to the clearing of transactions related to CME SEF.</p>	<p>Agreement</p> <p>Exhibit O–Compliance Manual</p> <p>Exhibit P–Disciplinary and Enforcement Protocols</p> <p>Exhibit Q–Trading Systems Overview</p> <p>Exhibit R–Trade Practice Rules</p> <p>Exhibit S–Trade Data Retention</p>
(d) Provide by its rules that, when a swap dealer or major swap participant enters into or facilitates a swap that is subject to the mandatory clearing requirement of Section 2(h) of the Act, the swap dealer or major swap participant shall be responsible for compliance with the mandatory trading requirement under section 2(h)(8) of the Act.	When a Swap Dealer or Major Swap Participant enters into or facilitates a swap that is subject to the mandatory clearing requirement of CEA § 2(h), the Swap Dealer or Major Swap Participant shall be responsible for compliance with the mandatory trading requirement under Section 2(h)(8) of the Act. <i>See</i> Rule 115 (Additional Duties and Responsibilities of Swap Dealers and Major Swap Participants)	Rule 115 (Additional Duties and Responsibilities of Swap Dealers and Major Swap Participants)
<p>Core Principle 3</p> <p><i>Swaps Not Readily Susceptible to Manipulation –</i></p> <p>“The swap execution facility shall permit trading only in swaps that are not readily susceptible to manipulation.”</p>	Swaps listed for trading on CME SEF will conform to the requirements set forth at Appendix C to Part 38 of CFTC Regulations. Swaps listed for trading on CME SEF will be reviewed by the CFTC under CFTC Regulation 39.5 and Part 40 Regulations, as applicable, prior to listing.	Exhibit O–Compliance Manual

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<p>Core Principle 4</p> <p><i>Monitoring of Trading and Trade Processing –</i></p> <p>The swap execution facility shall:</p> <p>(a) Establish and enforce rules or terms and conditions defining, or specifications detailing:</p> <p>(1) Trading procedures to be used in entering and executing orders traded on or through the facilities of the swap execution facility; and</p> <p>(2) Procedures for trade processing of swaps on or through the facilities of the swap execution facility; and</p>	<p><u>Establish trading procedures</u> – The following rules establish trading procedures to be used in entering and executing orders traded on or through the facilities of CME SEF:</p> <p>Rule 104 (Authorized Traders) requires Participants to designate an Authorized Trader(s), who will conduct all CME SEF Activity on behalf of the Participant. Rule 515 (Direct Access by Customers, Non-Participants Prohibited) restricts direct access to CME SEF to Authorized Traders using assigned Trader IDs. Rule 520 (Trading Confined to CME SEF Facilities) requires trading of CME SEF products on or through CME SEF Facilities. Rule 521 (Required Transactions) lists the methods prescribed for executing Required Transactions.</p> <p>CME SEF may provide various execution methods for Permitted Transactions. A Permitted Transaction submitted into CME SEF and in compliance with all written record requirements established by CME SEF shall be deemed to have been executed on CME SEF and subject to all SEF Rules insofar as applicable. <i>See</i> Rule 523 (Permitted Transactions). Rule 526 (Block Trades) sets parameters for the execution of Block Trades. Rule 533 (Simultaneous Buy and Sell Orders for Different Beneficial Owners) sets exposure parameters for execution of simultaneous buy and sell Orders. Rule 536 (Recordkeeping Requirements for Globex or CME Direct, and Negotiated Trades) establishes recordkeeping requirements for each part of Order execution. Rule 547 (Discretionary Orders) generally limits the parameters of an Order to price and time at execution. Rule 548 (Priority of Execution) generally requires Non-discretionary Customer Orders to be executed in order of receipt. Rule 559 (Position Limits and Exemptions) lists exemptions to the position limits established in the Position Accountability and Reportable Level Table. Rule 560 (Position Accountability) requires generally requires persons who own or control contracts traded on CME SEF to maintain records of their activity.</p>	<p>Rule Chapter 4</p> <p>Rule Chapter 5</p> <p>Exhibit O; Compliance Manual</p> <p>Exhibit N–CME SEF User Agreement</p> <p>Exhibit N–Regulatory Services Agreement</p> <p>Exhibit Q; Trading Systems Overview</p> <p>Exhibit S; Trade Data Retention</p>

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	<p><u>Enforce trading procedures</u> – The following rules enforce trading procedures to be used in entering and executing orders traded on or through the facilities of CME SEF:</p> <p>Rule 512 (Reporting Infractions) requires complete and timely submission of data, records, and other information required by the CME SEF Rules. It also outlines a procedure for the imposition of summary fines. Rule 527 (Errors and Mishandling of Customer Orders) assigns responsibility for remedial actions or losses caused by erroneous or mishandled Orders to the offending Participant. Rule 540 (Responsibility for Customer Orders) imposes an obligation of due diligence on Participants or Authorized Brokers, who execute Customer Orders. Rule 561 (Reports of Large Positions) states the required content and format for reports on large positions. Rule 562 (Position Limit Violations) defines a position limit violation and lists circumstantial exceptions. Rule 400 (General Provisions) states that the Board adopted Rules and delegated responsibility to committees for the investigation, hearing, and imposition of penalties for Rule violations. Rule 401 (Chief Regulatory Officer) provides CME SEF with the right to inspect or access systems used by Participants in connection with SEF Activity. Rule 432 (General Offenses) requires minimum financial, recordkeeping and reporting. All Participants are under a duty to continue to meet eligibility requirements in order to access CME SEF. <i>See</i> Rule 102 (Continued Eligibility)</p> <p>If the Market Regulation Department detects any trading abuses, it will conduct a preliminary investigation and confer with CME SEF to determine appropriate enforcement action to be taken in accordance with CME SEF Rules. <i>See</i> Chapter 4 (Enforcement of Rules) – Rule 400 (General Provisions), Rule 407 (Investigation, Assignment for Hearing and Notice of Charges). CME SEF has the authority to enforce compliance with all CME SEF rules, including trade practice and anti-manipulation rules. Rule 418 (Consent to CME SEF Jurisdiction) (</p>	

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	<p>specifying that by becoming a Participant or by accessing, or entering an Order or submitting a Swap on the SEF Platform, a Person consents to submit to the jurisdiction of CME SEF); Rule 432 (General Offenses) (stating that it is an offense to violate any CME SEF Rule). Position limit violations are addressed in Rule 562.</p> <p>Separately, CME SEF has the ability, at any time, to revoke, suspend, limit, condition, restrict, or qualify the trading privileges of any Participant if CME SEF determines such action necessary or appropriate to protect CME SEF, the Clearing House, Clearing Members or a Contract Market. <i>See</i> Rule 106 (Access Privileges of a Participant). CME SEF also may, in its sole discretion, revoke or suspend the designation of an Authorized Trader of the Participant. <i>See</i> Rule 501 (Authorized Traders); and Rule 114 (Disclosure and Supervision) (requiring Participants to monitor their Authorized Traders Supervised Persons and Authorized Brokers to ensure they comply with the SEF Rules, Clearing House Rules, NFA Rules and Applicable Law).</p> <p><u>Establish procedures for trade processing</u> – The following rules establish procedures for trade processing of swaps on or through the facilities of CME SEF:</p> <p>Rule 501 (Authorized Traders) requires Participants to designate an Authorized Trader(s), who will conduct all CME SEF Activity on behalf of the Participant, in accordance with Rule 104. Rule 576 (Identification of Globex or CME Direct Terminal Operators) requires the use of unique user IDs to access Globex or CME Direct. Rule 579 (Global Command Center) outlines the scope and accessibility of support provided by the GCC. Rule 580 (CME Globex or CME Direct Trade Matching Algorithms) provides a link to information about trade matching algorithms. Rule 588 (Trade Cancellations and Price Adjustments) outlines the scope of the Global Command Center’s authority to review</p>	

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	<p>trades, make price adjustments, and cancel trades.</p> <p><u>Enforce procedures for trade processing</u> – The following rules enforce procedures for trade processing of swaps on or through the facilities of CME SEF:</p> <p>Rule 400 (General Provisions) states that the Board adopted Rules and delegated responsibility to committees for the investigation, hearing, and imposition of penalties for Rule violations. CME will provide market regulation services that include the use of computerized surveillance programs to monitor and detect the following types of trading abuses: (A) trading ahead and pre-arranged trading; (B) wash trades; (C) abusive trading at the high or low; (D) fraudulent trading; (E) abusive cross trades; and (F) certain other categories of trading abuses as requested by CME SEF. Only eligible participants may directly access CME SEF. <i>See</i> Rule 574 (Globex or CME Direct Access Restrictions). Rule 523 (Permitted Transactions) gives CME SEF discretion in providing execution methods for Permitted Transactions. Rule 524 (Uncleared Swaps) requires Participants to enter written agreements governing the execution of uncleared Swaps prior to Order. Rule 526 (Block Trades) sets parameters for the execution of Block Trades. Rule 527 (Errors and Mishandling of Customer Orders) assigns responsibility for remedial actions or losses caused by erroneous or mishandled Orders to the offending Participant. Rule 536 (Recordkeeping Requirements for Globex or CME Direct and Negotiated Trades) establishes recordkeeping requirements for each part of Order execution.</p> <p>Trade practice violations are established in Rules 529 through 534, specifically: Withholding Orders Prohibited (Rule 529); Priority of Customers’ Orders over Participant’s (Rule 530); Trading Against Customers’ Orders Prohibited (Rule 531); Disclosing Orders Prohibited (Rule 532); Simultaneous Buy and Sell Orders from Different Beneficial</p>	

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	<p>Owners (Rule 533); and Wash Trades Prohibited (Rule 534).</p> <p>Each Participant, Authorized Broker or Customer, and employees of the foregoing must keep full, complete and systematic records, including records created or transmitted electronically, together with all pertinent data and memoranda, of all transactions relating to its business of dealing in swap and options transactions in accordance with CFTC Regulation 1.35. Such records must be retained for a minimum of five years in permanent form, and shall at all times be open to inspection by CME SEF staff or any representative of the CFTC or the United States Department of Justice, and to the Securities and Exchange Commission in regard to swaps as defined in section 1a(47)(A)(iv) of the Act.</p> <p>CME SEF may require a Participant to furnish (periodically or on a particular occasion) information concerning the Participant’s SEF Activity or open trading positions, swaps to which the Participant is a party, or other information related to SEF Activity. See Rule 536.F. (Retention of Records). CME SEF may contract with and provide information to a Regulatory Services Provider in connection with the performance of its functions. See Rule 589 (Regulatory Services Provider)</p> <p>It shall be an offense for a Participant to permit the use of facilities or privileges in a manner that is detrimental to the interest or welfare of CME SEF or results in a violation of CME SEF Rules or the CEA – See Rule 432.O. (General Offenses) – or to commit an act which is detrimental to the interest or welfare of CME SEF or to engage in any conduct which tends to impair the dignity or good name of CME SEF – See Rule 432.Q. (General Offenses).</p>	

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<p>(b) Monitor trading in swaps to prevent manipulation, price distortion, and disruptions of the delivery or cash settlement process through surveillance, compliance, and disciplinary practices and procedures, including methods for conducting real-time monitoring of trading and comprehensive and accurate trade reconstructions.</p>	<p>CME SEF Rules broadly prohibit fraudulent acts, market disruption, market manipulation and misstatements of material fact, and CME SEF has mechanisms in place for surveillance of the contract market and enforcement of the CME SEF Rules. Chapter 5 (Qualifications for Execution and Trading Practices) establishes CME SEF’s power to investigate suspected violations of SEF Rules, take enforcement actions or impose sanctions against Participants, and refer violations to the CFTC.</p> <p>Prohibited acts include withholding orders (Rule 529), front-running (Rule 530), trading against customer orders (Rule 531), disclosing orders without permission (Rule 532), wash trades (Rule 534), prearranged trades that do not meet an exemption (Rule 539)</p> <p>CME will monitor and analyze open positions and trading to guard against manipulative, disruptive, dishonest or distortive practices. Additionally, CME will monitor position limits and collect, assemble, and monitor large trader positions for concentrations of ownership and potential collusive or concerted activity by Participants. CME also will monitor for compliance with CME SEF Rules relating to position limits and position accountability, whereby Participants must disclose information regarding aggregate positions it holds. <i>See</i> Rule 559 (Position Limits and Exemptions), Rule 560 (Position Accountability).</p> <p>CME has the ability to actively monitor trading activity and Participants in order to prevent market manipulation, and has requirements to ensure that Participants maintain and make available information regarding their trading activity. <i>See</i> Rule 300 (Committees), Rule 536 (Recordkeeping Requirements for GLOBEX and CME DIRECT, and Negotiated Trades); describing the requirement that the Board maintain books and records of CME SEF in accordance with CEA and CFTC Regulations); Rule 415</p>	<p>Exhibit N–Regulatory Services Agreement</p> <p>Exhibit O–Compliance Manual Ch. 5</p> <p>Rule 106 (Access Privileges of a Participant)</p> <p>Rule 114 (Disclosures and Supervision)</p> <p>Rule 300 (Committees)</p> <p>Chapter 4 (Enforcement of Rules)</p> <p>Rule 400 (General Provisions)</p> <p>Rule 401 (The Chief Regulatory Officer)</p> <p>Rule 407 (Investigation, Assignment for Hearing and Notice of Charges)</p> <p>Rule 415 (Cooperation with Other Exchanges, Swap Execution Facilities and Clearing Organizations and</p>

Swap Execution Facility Criteria For Registration	CME SEF (“CME SEF”) Application	Relevant CME SEF Documents, Rule or Agreements
	<p>(Cooperation with Other Exchanges, Swap Execution Facilities and Clearing Organizations and International Government Information-Sharing Agreements); describing CME SEF’s ability to enter into Information-Sharing Agreement with outside entities in order to coordinate market surveillance). Rule 514 (Recording of Communications) authorizes CME SEF to record communications between CME SEF and Participants, Clients and Customers.</p>	<p>International Government Information-Sharing Agreements)</p> <p>Rule 418 (Consent to CME SEF Jurisdiction)</p> <p>Rule 432 (General Offenses)</p> <p>Chapter 5 (Qualifications for Execution and Trading Practices)</p> <p>Rule 514 (Recording of Communications)</p> <p>Rule 536 (Recordkeeping Requirements for GLOBEX and CME DIRECT, and Negotiated Trades)</p> <p>Rule 559 (Position Limits and Exemptions)</p> <p>Rule 560 (Position Accountability)</p>
<p>Core Principle 5</p> <p><i>Ability to Obtain Information –</i></p>	<p>Rule 415 (Cooperation with Other Exchanges, Swap Execution Facilities and Clearing Organizations and International Government Information-Sharing Agreements) requires a Participant to provide any necessary information to CME SEF to perform any of its functions under Section 5h</p>	<p>Exhibit S–Trade Data Retention</p> <p>Exhibit N–Regulatory Services</p>

Swap Execution Facility Criteria For Registration	CME SEF (“CME SEF”) Application	Relevant CME SEF Documents, Rule or Agreements
<p>The swap execution facility shall:</p> <p>(a) Establish and enforce rules that will allow the facility to obtain any necessary information to perform any of the functions described in section 5h of the Act;</p>	<p>of the CEA, to the Commission upon request, or to carry out international information-sharing agreements as the Commission may require.</p> <p>Participants are required to maintain, or cause to be maintained, complete and accurate books and records in accordance with the CEA, CFTC Regulations, and SEF Rules and must make such books and records available for inspection by CME SEF, the CFTC, SEC or Department of Justice. <i>See</i> Rule 536.F (Retention of Records).</p> <p>All Participants or Persons who access CME SEF consent to be bound by SEF Rules and subject to its jurisdiction. <i>See</i> Rule 418 (Consent to CME SEF Jurisdiction). Such Persons further agree to assist CME SEF in complying with its legal and regulatory obligations.</p> <p>Participants are responsible for supervising Authorized Traders, Supervised Persons and Authorized Brokers to ensure compliance with Applicable Law and the SEF Rules, and may be held liable for the actions of such Persons. <i>See</i> Rule 114 (Disclosure and Supervision).</p> <p>Participants must immediately notify CME SEF in the event of certain enumerated occurrences at Rule 442 (Notification of Significant Events). These notifications will enable CME SEF to determine whether the Participant will remain eligible to access CME SEF under the SEF Core Principles. Rule 401 (The Chief Regulatory Officer) provides that Chief Regulatory Officer may inspect or access the Participants’ systems, equipment and software to ensure compliance with SEF Rules. Each Participant that is registered with a SRO must provide minimum financial and related reporting and recordkeeping requirements, and concurrently provide filings required by the CFTC with CME SEF. Rule 432 (General Offenses)</p> <p>During an investigation, a Participant is required to produce books and records requested by the Regulatory Oversight Department. <i>See</i> Rule 407</p>	<p>Agreement</p> <p>Rule 114 (Disclosures and Supervision)</p> <p>Rule 401 (The Chief Regulatory Officer)</p> <p>Rule 407 (Investigation, Assignment for Hearing and Notice of Charges)</p> <p>Rule 415 (Cooperation with Other Exchanges, Swap Execution Facilities and Clearing Organizations and International Government Information-Sharing Agreements)</p> <p>Rule 418 (Consent to CME SEF Jurisdiction)</p> <p>Rule 432 (General Offenses)</p> <p>Rule 442 (Notification of Significant Events)</p> <p>Rule 536 (Recordkeeping Requirements for GLOBEX and CME DIRECT, and Negotiated Trades)</p>

Swap Execution Facility Criteria For Registration	CME SEF (“CME SEF”) Application	Relevant CME SEF Documents, Rule or Agreements
	(Investigation, Assignment for Hearing and Notice of Charges).	Rule 560 (Position Accountability)
(b) Provide the information to the Commission on request; and	<p>Rule 536 (Recordkeeping Requirements for GLOBEX and CME DIRECT, and Negotiated Trades) includes provisions that CME SEF shall keep complete and accurate records of all activities related to the business of CME SEF for at least five years and shall make all such records readily accessible for inspection by the CFTC and the Department of Justice during the first two years of the five year period.</p> <p>Rule 432.N (General Offenses) requires each Participant to comply with applicable disclosure requirements under CFTC, SEC, NFA and CME SEF Rules.</p>	<p>Rule 432 (General Offenses)</p> <p>Rule 536 (Recordkeeping Requirements for GLOBEX and CME DIRECT, and Negotiated Trades)</p>
(c) Have the capacity to carry out such international information-sharing agreements as the Commission may require.	CME SEF may enter into information-sharing agreements or other arrangements to coordinate surveillance with other markets on which contracts or financial instruments related to the Swaps trade. <i>See</i> Rule 415 (Cooperation with Other Exchanges, Swap Execution Facilities and Clearing Organizations and International Government Information-Sharing Agreements). Additionally, CME SEF may enter into any arrangement with any person or body that exercises or enforces a legal or regulatory function. <i>See id.</i>	Rule 415 (Cooperation with Other Exchanges, Swap Execution Facilities and Clearing Organizations and International Government Information-Sharing Agreements)
<p>Core Principle 6</p> <p><i>Position Limitations or Accountability –</i></p> <p>(a) <i>In general.</i> To reduce the potential threat of market manipulation or congestion, especially during trading in the delivery month, a swap execution facility that is a trading facility shall</p>	<p>In order to diminish potential problems arising from excessively large speculative positions, and to facilitate orderly liquidation of expiring futures contracts, the CME SEF Rules set forth position limits that are in accordance with the general criteria set forth in Appendix B to Part 37 of the Commission Regulations. <i>See</i> Rule 559 (Position Limits and Exemptions); Rule 560 (Position Accountability).</p> <p>Participants are obligated under SEF Rules to comply with position limitations and accountability levels. <i>See</i> Rule 432 (General Offenses)</p>	<p>Rule 559 (Position Limits and Exemptions)</p> <p>Rule 560 (Position Accountability)</p> <p>Rule 432 (General Offenses)</p>

Swap Execution Facility Criteria For Registration	CME SEF (“CME SEF”) Application	Relevant CME SEF Documents, Rule or Agreements
adopt for each of the contracts of the facility, as is necessary and appropriate, position limitations or position accountability for speculators.		
<p>(b) <i>Position limits.</i> For any contract that is subject to a position limitation established by the Commission pursuant to Section 4a(a) of the Act, the swap execution facility shall:</p> <p>(1) Set its position limitation at a level no higher than the Commission limitation; and</p> <p>(2) Monitor positions established on or through the swap execution facility for compliance with the limit set by the Commission and the limit, if any, set by the swap execution facility.</p>	<p>CME SEF or its Regulatory Services Provider will monitor for compliance with CME SEF Rules relating to position limits. <i>See</i> Rule 559 (Position Limits and Exemptions). A Participant may apply to the Market Regulation Department to seek an exemption from the position limits. The Market Regulation Department may grant exemptions from the position limits for positions qualifying as bona fide hedge positions, for risk management positions, or arbitrage and spread positions. <i>See id.</i> Any positions in excess of those permitted under the rules of CME SEF shall be generally deemed position limit violations. <i>See</i> Rule 562 (Position Limit Violations). Market participants and clearing members may also be required to produce any additional account information under Rule 561 (Reports of Large Positions).</p>	<p>Exhibit O–Compliance Manual, Ch. 3</p> <p>Rule 559 (Position Limits and Exemptions)</p> <p>Rule 561 (Reports of Large Positions)</p> <p>Rule 562 (Position Limit Violations)</p> <p>Exhibit N–Regulatory Services Agreement</p>
<p>Core Principle 7</p> <p><i>Financial Integrity of Transactions</i></p> <p>The swap execution facility shall establish and enforce rules and procedures for ensuring the financial integrity of swaps entered on or through the facilities of the swap execution facility, including the clearance and settlement of the swaps pursuant to section 2(h)(1) of the Act.</p>	<p>Transactions on CME SEF are cleared through the CME Clearing House in accordance with the Clearing Services Agreement (the “CSA”) and CME SEF Rules. <i>See</i> Exhibit T; Rule 800. CME Clearing House is a registered derivatives clearing organization. <i>See</i> Rule 800 (Clearing House). Clearing firms clearing CME SEF transactions are expressly bound by the applicable Clearing House rules. <i>See</i> Rule 801 (Clearing Members). All trades in Cleared Swaps executed or submitted for clearing pursuant to CME SEF Rules must be guaranteed by a Clearing Member. <i>See</i> Rule 802 (Cleared Swaps).</p> <p>CME SEF requires that its Participants be of good reputation and business integrity and maintain adequate financial resources and credit, among other requirements designed to ensure the financial integrity of the CME</p>	<p>Exhibit I–Financial Statements and Resources</p> <p>Exhibit T–Clearing Organization Information</p> <p>Exhibit N–CME Clearing Services Agreement</p> <p>Rule 101 (Eligibility)</p> <p>Rule 102 (Continued Eligibility)</p>

Swap Execution Facility Criteria For Registration	CME SEF (“CME SEF”) Application	Relevant CME SEF Documents, Rule or Agreements
	<p>SEF. Rule 101 (Eligibility) requires that prior to being granted Execution Privileges on CME SEF, each Participant must demonstrate that it is an ECP (101(1)), maintains adequate financial resources and credit (101(1)(iii)), has not filed for bankruptcy (101(1)(iv)), continues to comply with all applicable eligibility criteria including financial resources requirements (Rule 102 (Continued Eligibility), must either be a Clearing Member, guaranteed by a Clearing Member, or an Authorized Broker (Rule 103 (Authorized Brokers) and if an Authorized Broker must ensure each of its Clients has established a Clearing Member Guarantee (Rule 103 (Authorized Brokers), Rule 104.B. (Clearing Requirements)). Participants that fail to meet these criteria are prohibited from accessing CME SEF. <i>See</i> Rule 105 (Participant Application Process). Participants have a duty to monitor orders and trades to ensure they are conducted by ECPs, <i>see</i> Rule 102.C. (Continued Eligibility), Rule 114 (Disclosures and Supervision), and CME SEF has a duty to monitor Participants to ensure they continue to qualify as ECPs, <i>see</i> Rule 102.B. (Continued Eligibility).</p> <p>Participants are required to notify CME SEF when there are material changes to the Participant’s finances or in an instance of bankruptcy or insolvency. <i>See</i> Rule 102.A. (Continued Eligibility). Participants are required to concurrently provide CME SEF with copies of any reports required to be filed with the SRO or the CFTC. Rule 432 (General Offenses).</p> <p>All Participants that are not Clearing Members or Authorized Brokers must establish a clearing account with a Clearing Member prior to conducting any SEF Activity. <i>See</i> Rule 513 (Clearing Accounts).</p> <p>A Participant that conducts a customer business is required to enter into a written agreement with the customer and comply with applicable law relating to the treatment of customer funds and the maintenance of books and records with respect thereto. <i>See</i> Rule 107 (Customers). Further, all Customers must expressly consent to be bound by CME SEF Rules in</p>	<p>Rule 103 (Authorized Brokers)</p> <p>Rule 104 (Clearing Requirements)</p> <p>Rule 107 (Customers)</p> <p>Rule 114 (Disclosures and Supervision)</p> <p>Rule 513 (Clearing Accounts)</p> <p>Rule 800 (Clearing House)</p> <p>Rule 801 (Clearing Members)</p> <p>Rule 802 (Cleared Swaps)</p>

Swap Execution Facility Criteria For Registration	CME SEF (“CME SEF”) Application	Relevant CME SEF Documents, Rule or Agreements
	relation to SEF Activity. <i>See id.</i>	
<p>Core Principle 8 <i>Emergency Authority –</i></p> <p>The swap execution facility shall adopt rules to provide for the exercise of emergency authority, in consultation or cooperation with the Commission, as is necessary and appropriate, including the authority to liquidate or transfer open positions in any swap or to suspend or curtail trading in a swap.</p>	<p>The CME SEF Rules set forth have clear procedures and guidelines for decision-making regarding emergency intervention in the market. <i>See</i> Rule 402.C (Emergency Actions); Rule 230.k (General). These procedures and guidelines address the avoidance of conflicts of interest while addressing emergencies. <i>See</i> 234.B (Avoiding Conflicts of Interest in Significant Actions)</p> <p>The measures available to CME SEF in the case of an emergency include the ability to suspend or modify any SEF services, impose or modify position limits, impose or modify price limits, impose or modify intraday market restrictions, impose special margin requirements, order the liquidation or transfer of open positions in any Swap, order the fixing of a settlement price, extend or shorten the expiration date or the trading hours, suspend or curtail trading in any Swap, transfer customer contracts and the margin, alter any contract’s settlement terms or conditions, or provide for the carrying out of such actions through its agreements with any third-party provider of clearing or regulatory services. <i>See</i> Rule 230.k(i)–(xii) (General).</p> <p>CME SEF will use reasonable efforts to notify the Commission prior to implementing, modifying, or terminating an Emergency Rule and will comprehensively document the decision-making process related to any action in response to an Emergency. <i>See</i> Rule 230.k. (General).</p>	<p>Rule 230.k (General)</p> <p>Rule 234.B (Avoiding Conflicts of Interest in Significant Actions)</p> <p>Rule 402.C. (Emergency Actions)</p>
<p>Core Principle 9 <i>Daily Publication of Trading Information –</i></p> <p>(a) <i>In general.</i> The swap execution facility shall make public timely</p>	<p>CME SEF will comply with Section 16.01 (Trading volume, open contracts, prices, and critical dates) of the CFTC Regulations. CME SEF will comply with Part 43 (Real-Time Public Reporting) of the CFTC Regulations, to the extent applicable.</p> <p>CME SEF will comply with Part 45 (Swap Data Recordkeeping and Reporting Requirements) to the extent applicable, including reporting</p>	<p>Rule 528 (Price Reporting)</p>

Swap Execution Facility Criteria For Registration	CME SEF (“CME SEF”) Application	Relevant CME SEF Documents, Rule or Agreements
<p>information on price, trading volume, and other trading data on swaps to the extent prescribed by the Commission.</p>	<p>trade date, accepted block trades and applicable requirements under Part 16 of the CFTC Regulations to a Swap Data Repository. <i>See</i> Rule 528 (Price Reporting).</p>	
<p>(b) <i>Capacity of swap execution facility.</i> The swap execution facility shall be required to have the capacity to electronically capture and transmit trade information with respect to transactions executed on the facility.</p>	<p>CME SEF will maintain an audit trail for on-SEF activity that includes, at a minimum, the user ID, the price, quantity, product, expiration month, CTI Code and account number associated with the transaction. <i>See</i> Rule 536.A (Globex or CME Direct Order Entry); <i>see also</i> Exhibit Q; Exhibit S. CME SEF will capture and transmit necessary trade information to a swap data repository. Rule 528 (Price Reporting).</p> <p>All trades executed on or submitted to CME SEF are subject to minimum recordkeeping requirements. <i>See</i> Rule 521 (Required Transactions); Rule 523 (Permitted Transactions); Rule 524 (Uncleared Swaps); Rule 536.D (Negotiated Trades); Rule 536.E (Recordings). All terminal operators must be identified to CME SEF. Rule 576 (Identification of Globex or CME Direct Terminal Operators).</p>	<p>Exhibit O–Compliance Manual</p> <p>Exhibit Q–Trading Systems Overview</p> <p>Exhibit S–Trade Data Retention</p> <p>Rule 521 (Required Transactions)</p> <p>Rule 523 (Permitted Transactions)</p> <p>Rule 524 (Uncleared Swaps)</p> <p>Rule 528 (Price Reporting)</p> <p>Rule 536 (Recordkeeping requirements for GLOBEX or CME DIRECT, and Negotiated Trades)</p>

Swap Execution Facility Criteria For Registration	CME SEF (“CME SEF”) Application	Relevant CME SEF Documents, Rule or Agreements
<p>Core Principle 10</p> <p><i>Recordkeeping – (a) In general.</i> A swap execution facility shall:</p> <p>(1) Maintain records of all activities relating to the business of the facility, including a complete audit trail, in a form and manner acceptable to the Commission for a period of 5 years;</p> <p>(2) Report to the Commission, in a form and manner acceptable to the Commission, such information as the Commission determines to be necessary or appropriate for the Commission to perform the duties of the Commission under the Act; and</p> <p>(3) Keep any such records relating to swaps defined in section 1a(47)(A)(v) of the Act open to inspection and examination by the Securities and Exchange Commission.</p>	<p>In accordance with § 1.31 and part 45 of CFTC Regulations, CME SEF shall keep, or cause to be kept, complete and accurate records of all activities relating to the business of CME SEF, including but not limited to an audit trail for all Cleared Swaps, all investigatory files, all disciplinary files and all other records required to be maintained pursuant to the CEA, CFTC Regulations and the Delaware Limited Liability Company Act, and any successor statute, as amended. CME SEF shall retain all such records for at least five (5) years, and shall make such records readily accessible for inspection by the CFTC and the United States Department of Justice during the first two (2) years of such five-year period. See Rule 536.F (Retention of Records). Each Participant is obliged to maintain all requisite books and records for in accordance with Commission Regulations. Rule 432 (General Offenses).</p> <p>CME SEF will review all Participants at least annually to verify their compliance with audit trail and recordkeeping requirements. Rule 536 (Recordkeeping Requirements for GLOBEX or CME DIRECT, and Negotiated Trades).</p>	<p>Exhibit S–Trade Data Retention;</p> <p>Rule 432 (General Offenses)</p> <p>Rule 536 (Recordkeeping Requirements for GLOBEX or CME DIRECT, and Negotiated Trades)</p> <p>Rule 536.F (Retention of Records)</p>
<p>(b) <i>Requirements.</i> The Commission shall adopt data collection and reporting requirements for swap execution facilities that are comparable to corresponding requirements for derivatives clearing organizations and swap data repositories.</p>	<p>N/A</p>	

Swap Execution Facility Criteria For Registration	CME SEF (“CME SEF”) Application	Relevant CME SEF Documents, Rule or Agreements
<p>Core Principle 11 <i>Antitrust Considerations –</i></p> <p>Unless necessary or appropriate to achieve the purposes of this Act, the swap execution facility shall not:</p> <p>(a) Adopt any rules or take any actions that result in any unreasonable restraint of trade; or</p>	<p>The Board has adopted Rules, and from time to time adopts amendments and supplements to such Rules, to promote a free and open market on CME SEF, to maintain appropriate business conduct and to provide protection to the public in its dealings with CME SEF and its Participants. The Board of Directors Code of Ethics acknowledges the directors’ obligation to acknowledge restraint of trade considerations and antitrust laws in discharge of the Board’s duties.</p> <p>CME SEF will provide its services on a fair, open, equal and non-discriminatory basis to all market participants that meet its transparent eligibility criteria for access to CME SEF. <i>See generally</i> Chapter 1 (Access); <i>see also</i> Rule 101 (Eligibility and Participant Qualification); Rule 102 (Continued Eligibility); Rule 103 (Authorized Brokers or Authorized Managers); Rule 104 (Authorized Traders); Rule 105 (Participant Application Process); Rule 107 (Customers). Dues, assessments and fees are generally applicable. <i>See</i> Rule 108 (Dues, Assessments and Fees); <i>see also</i> Exhibit K.</p> <p>The Chief Compliance Officer of CME SEF will review CME SEF’s compliance with this Core Principle as part of its annual review. <i>See</i> Compliance Manual, Ch. 1.</p>	<p>Exhibit O–Compliance Manual</p> <p>Exhibit K–Fee Schedule</p> <p>Exhibit N-CME SEF User Agreement</p> <p>Board of Directors Code of Ethics</p> <p>Rule 101 (Eligibility and Participant Qualification)</p> <p>Rule 102 (Continued Eligibility)</p> <p>Rule 103 (Authorized Brokers or Authorized Managers)</p> <p>Rule 104 (Authorized Traders)</p> <p>Rule 105 (Participant Application Process)</p> <p>Rule 107 (Customers)</p> <p>Rule 108 (Dues, Assessments and Fees)</p>
<p>(b) Impose any material anticompetitive burden on trading or clearing.</p>	<p>It shall be an offense to engage in conduct or proceedings inconsistent with just and equitable principles of trade. <i>See</i> Rule 432.B.2. (General Offenses). It shall also be an offense to engage in, or attempt to engage in, the manipulation of prices of CME SEF products or to purchase or</p>	<p>Rule 432 (General Offenses)</p>

Swap Execution Facility Criteria For Registration	CME SEF (“CME SEF”) Application	Relevant CME SEF Documents, Rule or Agreements
	<p>sell, or offer to purchase or sell CME SEF products or any underlying commodities or securities, for the purpose of upsetting the equilibrium of the market or creating a condition in which prices do not or will not reflect fair market values. <i>See</i> Rule 432.H. (General Offenses). It shall also be an offense to engage in dishonorable or uncommercial conduct. <i>See</i> Rule 432.T. (General Offenses).</p>	
<p>Core Principle 12</p> <p><i>Conflicts of interest –</i></p> <p>The swap execution facility shall:</p> <p>(a) Establish and enforce rules to minimize conflicts of interest in its decision-making process; and</p>	<p>CME Group and CME have established, and will enforce, policies and procedures to minimize conflicts of interest in CME SEF’s decision-making process. <i>See generally</i> Chicago Mercantile Exchange Inc. Bylaws (addressing interested directors); CME Group Director Conflict of Interest Policy (addressing interested directors); CME Group Categorical Independence Standards (addressing Board determinations of director independence); CME Group Code of Conduct, p. 6-9 (addressing conflicts of interest by any employee of Chicago Mercantile Exchange, Inc. or a subsidiary thereof) and p. 20 (establishing a procedure for disclosure by an employee of CME SEF of a potential conflict of interest); CME Group Corporate Governance Principles (requiring the Board be composed of at least a majority of independent directors), CME Group Code of Ethics (requiring Directors to disclose any potential to receive any private benefit in connection with a matter before the Board).</p> <p>Further, CME SEF Rules address policies and procedures in regard to conflicts of interest. Rule 300.F (Use or Disclosure of Material, Non-public Information) prohibits any Director or member of a Committee from using or disclosing material non-public information obtained as a result of participation on the Board or Committee.</p> <p>A member of any committee must abstain from both the deliberations and voting by such committee on any Significant Action, as defined in CME SEF Rules, if the member knowingly has a direct and substantial financial interest in the result of the vote based upon either CME SEF or non-CME SEF positions that could reasonably be expected to be affected by the</p>	<p>CME Bylaws</p> <p>CME Group Code of Ethics</p> <p>CME Group Director Conflicts of Interest Policy</p> <p>CME Group Code of Conduct</p> <p>CME Group Corporate Governance Principles</p> <p>CME Group Categorical Independence Standards</p> <p>Rule 234 (Avoiding Conflicts of Interest in Significant Actions)</p> <p>Rule 300.F (Use or Disclosure of Material, Non-public Information)</p>

Swap Execution Facility Criteria For Registration	CME SEF (“CME SEF”) Application	Relevant CME SEF Documents, Rule or Agreements
	<p>action or is otherwise conflicted based on existing CME SEF policy. <i>See</i> Rule 234.C (Determination Whether Abstention Required). Prior to the consideration of any Significant Action, each member of the committee must disclose to the appropriate CME SEF staff the following position information to the extent known to him: (a.) Gross positions held at CME SEF in the member's personal accounts or controlled accounts, as defined in CFTC Regulation 1.3(j); (b.) Gross positions held at CME SEF in proprietary accounts of the Member’s Affiliated Firm; (c.) Gross positions held at CME SEF in accounts in which the member is a principal; (d) Net positions held at CME SEF in customer accounts at the Member’s Affiliated Firm; and (e.) Any other types of positions, at CME SEF or elsewhere, held in the member's personal accounts or the proprietary accounts of the Member’s Affiliated Firm that could reasonably be expected to be affected by the Significant Action. CME SEF staff will independently determine what positions are held based on a review of the most position reports and trading records available to CME SEF and any other source of information that is held by and reasonably available to CME SEF, taking into consideration the exigency of the Significant Action. <i>See</i> Rule 234 (Avoiding Conflicts of Interest in Significant Actions).</p>	
(b) Establish a process for resolving the conflicts of interest.	<p>Rule 234.C (Determination Whether Abstention Required) requires any director with a material conflict of interest to abstain from participation in matters in which the director has a conflict. Rule 230.k (General) states that where possible, the Chief Compliance Officer should be consulted prior to a decision pursuant to emergency authority that involves an actual or potential conflict of interest and that the CFTC shall be notified as soon as reasonably practicable thereafter.</p> <p>CME- and CME Group-level policies applicable to CME SEF govern additional procedures regarding the resolution of conflicts of interest.</p>	<p>Rule 234.C (Determination Whether Abstention Required)</p> <p>Rule 230.k (General)</p> <p>CME Group Director Conflicts of Interest Policy</p> <p>CME Group Code of Conduct</p>
Core Principle 13	Exhibit E describes personnel qualifications for CME SEF key staff, including requirements for work experience and skills. Exhibit F analyzes	Exhibit E; Personnel Qualifications

Swap Execution Facility Criteria For Registration	CME SEF (“CME SEF”) Application	Relevant CME SEF Documents, Rule or Agreements
<p><i>Financial Resources –</i></p> <p>(a) <i>In general.</i> The swap execution facility shall have adequate financial, operational, and managerial resources to discharge each responsibility of the swap execution facility.</p>	<p>the staffing requirements for, and resources available to, CME SEF operations. Exhibit I includes an analysis of CME SEF’s expenses and the financial resources allocated for operation.</p>	<p>Exhibit F; Staffing Requirements</p> <p>Exhibit I ; Financial Statements and Resources</p>
<p>(b) <i>Determination of resource adequacy.</i> The financial resources of a swap execution facility shall be considered to be adequate if the value of the financial resources exceeds the total amount that would enable the swap execution facility to cover the operating costs of the swap execution facility for a one-year period, as calculated on a rolling basis.</p>	<p>Exhibit I provides an estimated projection of CME SEF’s 12-month operating expenses. Exhibit I-2 demonstrates the account arrangements for CME SEF’s financial resources.</p>	<p>Exhibit I–Financial Statements and Resources</p> <p>Exhibit I-2–CME SEF Financial Resources</p>
<p>Core Principle 14</p> <p><i>System Safeguards–</i></p> <p>The swap execution facility shall:</p> <p>(a) Establish and maintain a program of risk analysis and oversight to identify and minimize sources of operational risk, through the development of appropriate controls and procedures, and automated systems, that:</p> <p>(1) Are reliable and secure; and</p> <p>(2) Have adequate scalable capacity;</p>	<p>As set forth in section 2 of Exhibit V, CME SEF has established and maintains a program of risk analysis and oversight. Reliability and security of CME SEF’s automated systems are established through the controls and procedures set forth in Sections 2.d through 2.e of Exhibit V. Adequate capacity is addressed in Section 7 of Exhibit V.</p>	<p>Exhibit V, Sections 2 and 7</p>

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<p>(b) Establish and maintain emergency procedures, backup facilities, and a plan for disaster recovery that allow for:</p> <p>(1) The timely recovery and resumption of operations; and</p> <p>(2) The fulfillment of the responsibilities and obligations of the swap execution facility; and</p>	<p>CME SEF has established and maintains emergency procedures, geographically diverse backup facilities and a plan for disaster recovery plan that provides for that allows for the timely recovery and resumption of operations.</p>	<p>Exhibit V, Section 8</p>
<p>(c) Periodically conduct tests to verify that the backup resources of the swap execution facility are sufficient to ensure continued:</p> <p>(1) Order processing and trade matching;</p> <p>(2) Price reporting;</p> <p>(3) Market surveillance; and</p> <p>(4) Maintenance of a comprehensive and accurate audit trail.</p>	<p>CME Group conducts periodic system capacity tests, identifies the objectives of the tests, and reviews the results. These operational tests enable CME Group to estimate and plan for future system capacity, identify potential weak points and reduce the risk of system failures and threats to system integrity.</p>	<p>Exhibit V, Section 8</p>
<p>Core Principle 15</p> <p><i>Designation of chief compliance officer—</i></p> <p>(a) <i>In general.</i> Each swap execution facility shall designate an individual to serve as a chief compliance officer.</p>	<p>Chapter 1 of the Compliance Manual requires the Board to appoint a Chief Compliance Officer.</p>	<p>Exhibit O—Compliance Manual</p>
<p>(b) <i>Duties.</i> The chief compliance officer shall:</p> <p>(1) Report directly to the board or to the senior officer of the facility;</p> <p>(2) Review compliance with the core principles in this subsection;</p>	<p>The duties and responsibilities of the Chief Regulatory Officer are outlined at Rule 401 (The Chief Regulatory Officer) and in Chapter 1 of the Compliance Manual. It shall be the duty of the Chief Regulatory Officer to enforce CME SEF Rules, and he shall have available to him at all times the resources of the Market Regulation Department and such other resources as may be necessary to conduct investigations of potential or</p>	<p>Exhibit O—Compliance Manual</p> <p>Exhibit P—CME Group Code of Conduct, Director Conflict of Interest Policy and Board of Directors Code of Ethics</p>

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<p>(3) In consultation with the board of the facility, a body performing a function similar to that of a board, or the senior officer of the facility, resolve any conflicts of interest that may arise;</p> <p>(4) Be responsible for establishing and administering the policies and procedures required to be established pursuant to this section;</p> <p>(5) Ensure compliance with the Act and the rules and regulations issued under the Act, including rules prescribed by the Commission pursuant section 5h of the Act; and</p> <p>(6) Establish procedures for the remediation of noncompliance issues found during compliance office reviews, look backs, internal or external audit findings, self-reported errors, or through validated complaints.</p>	<p>alleged Rule violations and market conditions. The Chief Regulatory Officer shall have the authority to inspect the books, records, systems, equipment and software of all parties subject to the jurisdiction of CME SEF pursuant to Rule 418 and the authority to require any such Participant to appear before him and produce his or its books and records, and provide access to systems, equipment, software, data stored in any such systems, equipment or software, and the premises upon which such information is accessible, and answer questions regarding alleged violations of CME SEF Rules, at the time, place and in the manner he designates. The Chief Regulatory Officer may also delegate his authority to staff of the Market Regulation Department. The Chief Regulatory Officer shall also have the duties and responsibilities of a swap execution facility Chief Compliance Officer.</p>	<p>Rule 401 (The Chief Regulatory Officer)</p>
<p>(c) <i>Requirements for procedures.</i> In establishing procedures under paragraph (b)(6) of this section, the chief compliance officer shall design the procedures to establish the handling, management response, remediation, retesting, and closing of noncompliance issues.</p>	<p>It shall be the duty of the Chief Regulatory Officer to enforce CME SEF Rules, and he shall have available to him at all times the resources of the Market Regulation Department and such other resources as may be necessary to conduct investigations of potential or alleged Rule violations and market conditions. The Chief Regulatory Officer shall have the authority to inspect the books, records, systems, equipment and software of all parties subject to the jurisdiction of CME SEF pursuant to Rule 418 and the authority to require any such Participant to appear before him and produce his or its books and records, and provide access to systems, equipment, software, data stored in any such systems, equipment or software, and the premises upon which such information is accessible, and answer questions regarding alleged violations of CME SEF Rules, at</p>	<p>Exhibit O—Compliance Manual</p> <p>Rule 401 (The Chief Regulatory Officer)</p>

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	<p>the time, place and in the manner he designates. The Chief Regulatory Officer may also delegate his authority to staff of the Market Regulation Department. The Chief Regulatory Officer shall also have the duties and responsibilities of a swap execution facility Chief Compliance Officer. <i>See generally</i> Exhibit O–Compliance Manual Ch. 1.</p>	
<p>(d) <i>Annual reports</i> –(1) <i>In general.</i> In accordance with rules prescribed by the Commission, the chief compliance officer shall annually prepare and sign a report that contains a description of:</p> <ul style="list-style-type: none"> (i) The compliance of the swap execution facility with the Act; and (ii) The policies and procedures, including the code of ethics and conflict of interest policies, of the swap execution facility. <p>(2) <i>Requirements.</i> The chief compliance officer shall:</p> <ul style="list-style-type: none"> (i) Submit each report described in Paragraph (d)(1) of this section with the appropriate financial report of the swap execution facility that is required to be submitted to the Commission pursuant to section 5h of the Act; and (ii) Include in the report a certification that, under penalty of law, the report is accurate and complete. 	<p>It shall be the duty of the Chief Regulatory Officer to enforce CME SEF Rules, and he shall have available to him at all times the resources of the Market Regulation Department and such other resources as may be necessary to conduct investigations of potential or alleged Rule violations and market conditions. The Chief Regulatory Officer shall have the authority to inspect the books, records, systems, equipment and software of all parties subject to the jurisdiction of CME SEF pursuant to Rule 418 and the authority to require any such Participant to appear before him and produce his or its books and records, and provide access to systems, equipment, software, data stored in any such systems, equipment or software, and the premises upon which such information is accessible, and answer questions regarding alleged violations of CME SEF Rules, at the time, place and in the manner he designates. The Chief Regulatory Officer may also delegate his authority to staff of the Market Regulation Department. The Chief Regulatory Officer shall also have the duties and responsibilities of a swap execution facility Chief Compliance Officer</p>	<p>Exhibit O–Compliance Manual</p> <p>Rule 401 (The Chief Regulatory Officer)</p>